

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Public Works	(2) MEETING DATE 6/21/2016	(3) CONTACT/PHONE Straith Smith Zanartu, Finance Division Manager (805) 781-5299	
(4) SUBJECT Submittal of a resolution to request the transfer of general tax revenue collected and allocated to the Nacimiento Water Fund to the San Luis Obispo County Flood Control and Water Conservation District General Fund. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board, acting as the Board of Supervisors for the San Luis Obispo County Flood Control and Water Conservation District (District) approve a resolution to request that the Auditor-Controller transfer the current and future general tax revenue collected and allocated to the Nacimiento Water Fund (Fund 2200000000) to the San Luis Obispo County Flood Control and Water Conservation District General Fund (Fund 1300000000) effective July 1, 2016.			
(6) FUNDING SOURCE(S) Nacimiento Water Fund (Fund 2200000000) and San Luis Obispo County Flood Control and Water Conservation District General Fund (Fund 1300000000)	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? N/A
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____) <input type="checkbox"/> Board Business (Time Est. ____)			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date: N/A	
(17) ADMINISTRATIVE OFFICE REVIEW David E. Grim			
(18) SUPERVISOR DISTRICT(S) All Districts			

Reference: 16JUN21-C-11

County of San Luis Obispo



TO: Board of Supervisors

FROM: Public Works

Straith Smith Zanartu, Finance Division Manager

VIA: John Diodati, Deputy Director of Public Works

DATE: 6/21/2016

SUBJECT: Submittal of a resolution to request the transfer of general tax revenue collected and allocated to the Nacimiento Water Fund to the San Luis Obispo County Flood Control and Water Conservation District General Fund. All Districts.

RECOMMENDATION

It is recommended that the Board, acting as the Board of Supervisors for the San Luis Obispo County Flood Control and Water Conservation District (District) approve a resolution to request that the Auditor-Controller transfer the current and future general tax revenue collected and allocated to the Nacimiento Water Fund (Fund 2200000000) to the San Luis Obispo County Flood Control and Water Conservation District General Fund (Fund 1300000000) effective July 1, 2016.

DISCUSSION

The San Luis Obispo County Flood Control and Water Conservation District (District) was established by the San Luis Obispo County Flood Control and Water Conservation District Act (Act 7205 of the Uncodified Acts of the California Water Code) (Act) in 1945. On or about October 19, 1959, the District entered into an Agreement with the Monterey County Flood Control and Water Conservation District (now the Monterey County Water Resources Agency) (Monterey) whereby Monterey granted the District the right to 17,500 AFY from the Nacimiento Reservoir in exchange for certain payments (Master Water Contract).

Prior to the enactment of Proposition 13 in 1978, the District levied a County-wide *ad valorem* tax pursuant to Section 13 of the Act to pay for the Master Water Contract costs. Proposition 13 established a maximum 1% *ad valorem* County tax rate. After the passage of Proposition 13, the County began to collect all property taxes within the County. As such, the District no longer collected the *ad valorem* tax referred to above. Instead, the County Auditor began allocating the revenue generated from the 1% rate pursuant to the allocation system commonly referred to as "Assembly Bill 8" or "AB 8" after the bill that first implemented the system (AB 8). In general, AB 8 provides a share of the total property taxes collected within a community to each local government that provided services within that community at the time Proposition 13 was passed. Each local government's share is based on its proportionate countywide share of property taxes during the mid-1970's. The 1% rate is a general tax.

The District paid the Master Water Contract cost until the Nacimiento Water Project was complete in February of 2011, at which time the Nacimiento Water Project Participants became obligated to pay for the costs pursuant to the Nacimiento Project Water Delivery Entitlement Contracts (WDECs). However, Article 17, subdivision (B)(5) of the WDECs requires the District to apportion the *ad valorem* tax proceeds received by the Nacimiento Water Fund to offset the Reserve Capacity Construction Cost Component of the Nacimiento Water Project.

Article 6, subdivision (D) and Article 29, subdivision (B) of the WDECs provide for the permanent purchase of Reserve Water by the existing Participants; and on October 6, 2015, the City of Paso Robles, City of San Luis Obispo, Atascadero Mutual Water Company and Templeton Community Services District (collectively, Initial Participants) jointly notified the District that they were exercising their rights under these contractual provisions to apply and acquire additional Delivery Entitlement.

On April 19, 2016, your Board approved amendments to the existing WDECs and two new WDECs as well as updates to the environmental documents, resulting in the full subscription of Nacimiento Project Water, i.e. there is no longer any Reserve Water. Consequently, there is no longer any Reserve Capacity Construction Cost Component or contractual obligation on the part of the District to continue allocating tax revenue to the Nacimiento Water Fund. Based on the foregoing, staff recommends that that portion of the tax proceeds currently allocated to the Nacimiento Water Fund be allocated to the Flood Control General Fund for regional water resource management and flood control efforts.

OTHER AGENCY INVOLVEMENT/IMPACT

All of the Nacimiento Water Project Participants are aware that the Nacimiento tax revenues are no longer available to the Nacimiento Project and an acknowledgement to this effect was included in both the amendments and New WDECs.

County Counsel has reviewed the resolution for legal form and effect.

FINANCIAL CONSIDERATIONS

The FY 2015-2016 AB 8 factor for the Nacimiento Water Fund is 0.27209% with estimated revenue of \$1,301,555 and San Luis Obispo County Flood Control is 0.25287% and \$1,190,772 estimated revenue. Approval of the attached resolution will allow the Nacimiento tax allocation of an estimated amount of \$1,301,555 to revert to the Flood Control General Fund to be used for regional water resource management and flood control efforts.

RESULTS

Approval of the attached resolution will enable the Public Works Department to continue providing quality regional water resource management and flood control services in San Luis Obispo County, thereby ensuring a sustainable, healthy, and well governed community.

ATTACHMENTS

1. Resolution to Request the Transfer of General Tax Revenue Collected and Allocated to the Nacimiento Water Fund to the San Luis Obispo County Flood Control and Water Conservation District General Fund

File: CF 622.10.01/CF 340.10.02

Reference: 16JUN21-C-11

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